

AR46



Fidelity Trust Annual Report '78

*Registered by Commerce
Capital*

Report on Operations

REVENUE

Revenue from all sources reached new levels in 1978 as the Company's business continued to grow, with gross revenue received being 42% higher than in 1977.

The Company's major source of earnings is its investment income, the difference between the interest it charges to borrowers and the interest it pays to depositors. While interest received of \$22,410,000 was up 50% over the previous year, pressures in the financial markets held down growth of investment income to 30%. Throughout most of 1978, interest rates were rising which tends to be reflected earlier in our average cost of borrowings than in our lending income, and our spread decreased. Net investment income in 1978 of \$5,146,000, which was \$1,177,000 higher than in 1977, expanded with the increase in volume of business but at a lower growth rate because of reduced spreads.

The trends in National Housing Act mortgage rates and in 5-year Guaranteed Investment Certificate rates for the last 5 years are shown in the first graph on this page. Narrowing of the difference between these rates, such as occurred in 1978, has a direct effect on profitability. The second graph shows the spread in our guaranteed funds over the same period and indicates a narrowing trend in the last 2 years.

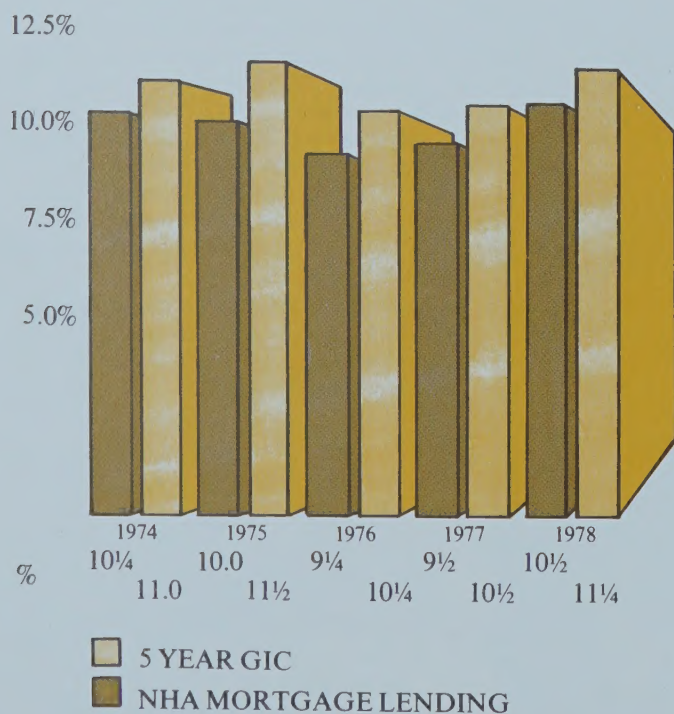
Fees and other operating income of \$3,244,000 remained level with the previous year, reflecting Fidelity's decision to increase its own portfolio of mortgages

rather than to expand sales. Other income was marginally ahead.

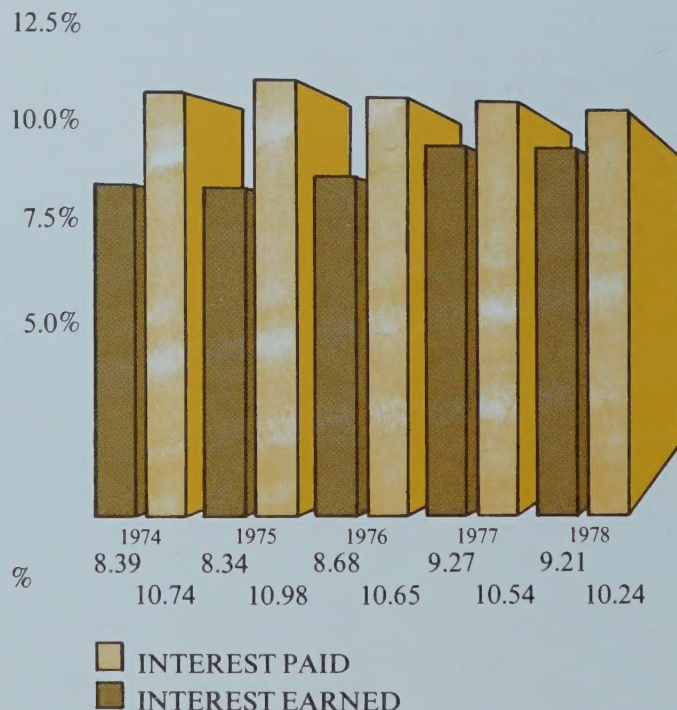
Total operating expenses exclusive of interest were \$5,664,000, being \$1,279,000 or 29.2% above the previous year, reflecting the opening of new branches and a general expansion of activity. Over half of these expenses are in the cost of staff, including salaries, benefits and commissions. The trust industry is a services function and therefore people-oriented. Control of these expenses is a major management task.

Growth in investment income was offset by the escalation in operating expenses and the net earnings of \$1,408,000 were close to those of last year. Both years are the highest in the company's history by a good margin. In August of 1977, a preferred share issue totalling \$5,000,000 was placed to enable a continued expansion of deposit business. Preferred dividends, which were \$98,000 in 1977 as the issue was outstanding for only part of the year, increased to the full amount of \$430,000 in 1978. Net income applicable to the common shares therefore decreased from \$1,294,000 in 1977 to \$978,000 in 1978. Earnings per common share were \$.45 in 1978 compared with \$.62 in 1977.

Computerization of our accounts made good strides during 1978. Mortgage administration, GIC, RRSP and RHOSP administration, together with certain accounting functions are now on the computer and we are currently surveying further possible extensions. It is management's belief and



SELECTED INTEREST RATES



INTEREST RATE SPREAD ON GUARANTEED FUNDS

policy that a high degree of computerization will maximize the effectiveness of our people and permit a high rate of growth of business without proportional expense increases. Computerization of course has its own costs and our expenditures for computer services in 1978 were double those of 1977. We do not however anticipate further significant increases until the volume of our business is much higher than at present.

BRANCH ACTIVITIES

A smooth-functioning and expanding branch network is fundamental to Fidelity's success and growth, and in 1978 much effort went into branch network improvement. A new branch was opened in August, 1978, in Hamilton, Ontario, and has been an immediate success. The Halifax branch was moved to new, larger premises to accommodate a substantial increase in business. We are now registered for business in all provinces of Canada.

Most effort during the year however was directed toward the development of suitable staff, the control of expenses and the improvement of administrative procedures.

Regional management has been established where conditions are appropriate, with Manitoba and British Columbia being the first of such moves. Business development specialists have now been introduced into all market areas serviced by the company. Centralized banking was established in 1978, with all branch funds transferred to Toronto at the end of each day. This resulted in freeing about \$2 million in assets formerly tied up in branch accounting which were added to our float.

Branch administration is a direct beneficiary of the computerization progress being made at the central offices, and a considerable burden of clerical work has been lifted from the branches. In consequence, existing branch staff has been able to sustain an increasing volume of business.

Two new branches are scheduled for opening in 1979, one of which will be our first branch in the City of Montreal and the Province of Quebec.



Victoria, B.C.



Edmonton, Alta.



Toronto, Ont.



Halifax, N.S.

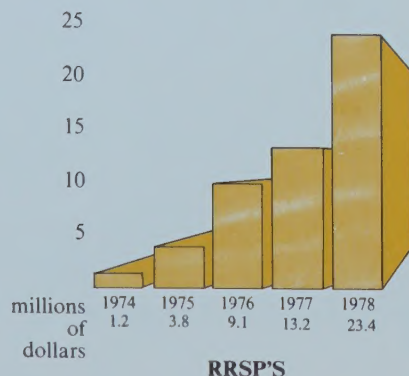
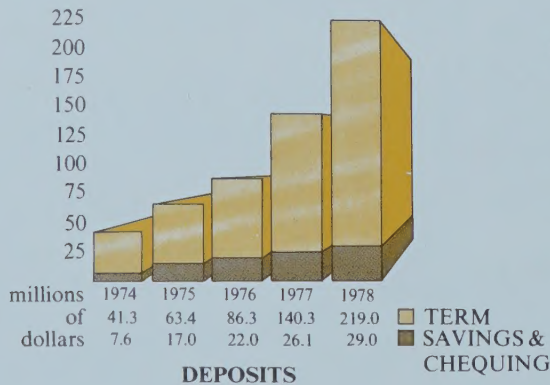
DEPOSIT SERVICES

During 1978 total deposits increased by \$81,710,006 or 49.1% over those in place at December 31, 1977. Deposit customers increased by 39% to 37,480. A number of features were added to our deposit services over the year to increase their attractiveness to depositors, including a reduction in minimum deposits for monthly GIC's to \$5,000, simplification of deposit forms, and introduction of a daily interest savings account. Growth of demand and term deposits over the last 5 years is shown in the upper graph on this page.

Conversion of all GIC's, deposit receipts, RRSP's, RHOSP's and the NHA RSP Mortgage Fund to computerized administration was accomplished over 1978, with consequent improvements in accuracy and speed of processing.

In late 1978, an extensive GIC agency network was established through much of Ontario supervised by a deposit development officer. Such a network ensures that clients located some distance from branches may get the benefit of rate changes as they occur in Toronto with minimum inconvenience to themselves.

Fidelity's Registered Retirement Savings Plan NHA Mortgage Fund which was established in 1977 grew in net assets from \$969,000 at December 31, 1977 to \$4,972,000 at December 31, 1978. In the same period, unit value of the fund increased by 8.2% to \$12.488. This fund is an attractive outlet for RRSP savings. Total RRSP's administered by Fidelity increased in 1978 by 56% to 6,632. Growth in RRSP's over a 5 year period is shown in the lower graph on this page.



MORTGAGE LENDING

Fidelity continued its position as a significant national lender for mortgages in 1978. New funding in 1978 resulted in an addition to the company's mortgage portfolio of \$77,792,000 and an increase in the value of mortgages under Estate & Agency administration of \$39,776,000. Corresponding increases in the previous year were \$64,178,000 and \$42,495,000 respectively.



Housing Project, Northern Alberta

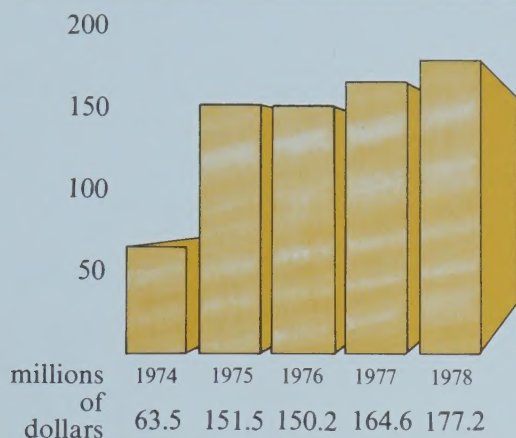
MORTGAGE BANKING

A Mortgage Banking department was established in mid-1978 to develop, negotiate and administer commercial and multiple residential mortgages both for Fidelity's portfolio and for clients' accounts. Commitments made during the balance of 1978 totalled \$17,000,000, \$13,400,000 for Fidelity's portfolio and \$3,600,000 for clients. Actual funding in 1978 was approximately \$5,000,000 with remaining commitments carried forward into 1979. We intend to pursue this aspect of our business vigorously in 1979, despite the high interest rates which have created less attractive environment for developers contemplating new projects.

The graph on the next page illustrates Fidelity's growth over the last 5 years as a lender on residential mortgages.



Office Towers, Dundas St. Toronto



MORTGAGE FUNDINGS

MORTGAGE PACKAGE SALES

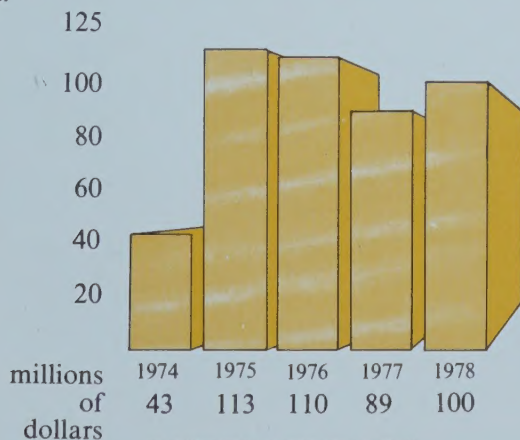
Fidelity continued to be the major offeror of packaged NHA mortgages to investors in Canada and abroad. In 1978 packaged sales once again exceeded \$100 million of which \$41 million was sold to investors in other parts of the world. The practice of packaging and marketing NHA mortgages was pioneered by Fidelity and offers important advantages to the company as well as to investors, including the following:

- Liquidity of such mortgages is increased, which allows more rapid turnover of mortgage funding.
- After disposal, the packages continue to be managed by Fidelity and provide an expanding source of service fees.
- Under most market conditions, a profit is realized on the sale of packages.

As of December 31, 1978 Fidelity Trust Company administered \$397 million of mortgages on behalf of investors.

We are continuing to innovate in this area including the offering of varying terms, and tertiary market purchases and resales to maintain our position in the industry and to hold profit levels in the face of narrowing spreads.

Some cities where our packages are sold are shown to the right.



MORTGAGE SALES



Lucerne



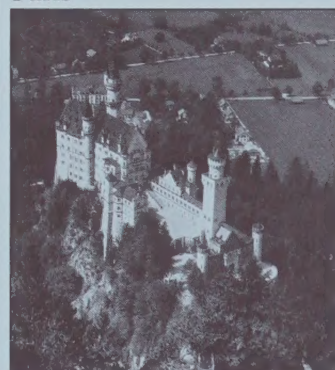
London



Paris



Hong Kong



Munich

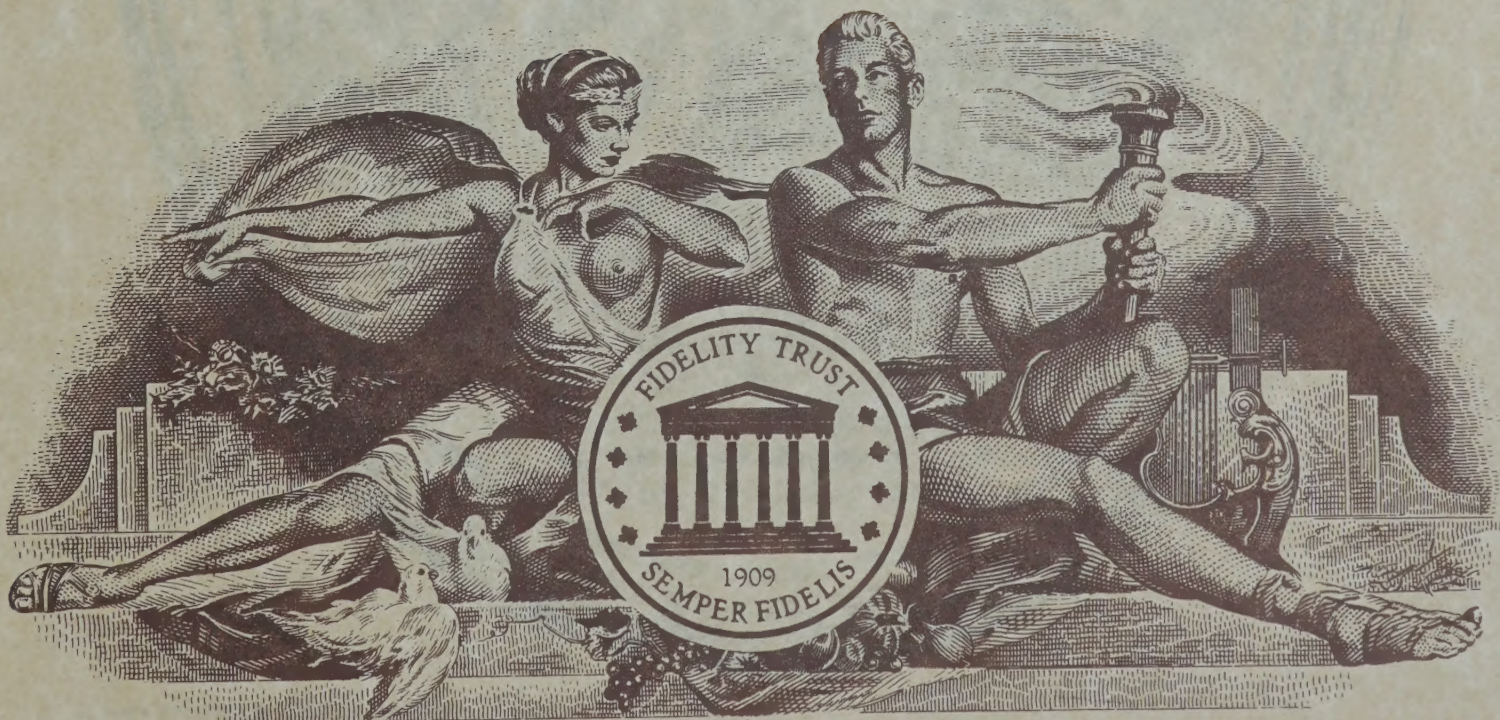


Amsterdam

Five Year Record

| Highlights | 1978 | 1977 | 1976 | 1975 | 1974 |
|--|--------------------|-------------|-------------|-------------|-------------|
| Gross Revenue | 25,653,100 | 18,126,715 | 13,970,687 | 9,557,431 | 6,001,590 |
| Interest Expense | 17,263,250 | 10,931,183 | 8,092,783 | 5,236,442 | 3,219,537 |
| Other Operating Expenses | 5,664,479 | 4,385,792 | 3,287,955 | 2,150,075 | 1,453,996 |
| Earnings Before Income Tax | 2,725,371 | 2,809,740 | 2,589,949 | 2,170,914 | 1,328,057 |
| Income Taxes | 1,348,000 | 1,390,000 | 1,280,000 | 1,085,000 | 697,000 |
| Net Earnings | 1,407,963 | 1,463,267 | 1,245,113 | 1,115,446 | 642,779 |
| Net Earnings available to Common Shareholders | 978,108 | 1,293,623 | 1,245,113 | 1,115,446 | 642,779 |
| Total Assets under Administration | 689,347,000 | 556,615,615 | 441,979,918 | 301,402,623 | 154,214,113 |
| Deposits | 248,046,442 | 166,336,386 | 108,251,255 | 80,397,259 | 48,902,122 |
| Mortgages and Loans | 232,702,579 | 154,572,458 | 90,432,648 | 69,769,065 | 38,010,141 |
| Shareholders' Equity | 13,432,076 | 12,500,171 | 6,426,934 | 4,827,503 | 3,265,237 |
| COMMON SHARES OUTSTANDING: | | | | | |
| Fully Paid | 1,715,665 | 1,615,002 | 1,598,334 | 1,575,031 | 1,544,805 |
| Partially Paid | 601,542 | 702,205 | 718,873 | 742,176 | — |
| Total | 2,317,207 | 2,317,207 | 2,317,207 | 2,317,207 | 1,544,805 |
| Number of Shareholders | 1,202 | 1,165 | 482 | 417 | 397 |
| PER COMMON SHARE: | | | | | |
| Earnings Before Gain on Sale of Securities | 0.44 | 0.60 | 0.67 | 0.66 | 0.42 |
| Gain (Loss) on Sale of Securities | 0.01 | 0.02 | (0.03) | 0.02 | 0.01 |
| Net Earnings | 0.45 | 0.62 | 0.64 | 0.68 | 0.43 |
| Dividends Paid (Common) | 0.19 | 0.14 | 0.12 | 0.12 | 0.10 |

Fidelity Trust
70th Anniversary
1909-1979





Standing
A. STEPHENS
Chairman of the Board

Seated
N. C. W. Wood
President & General Manager

1909 CADILLAC, 30 H.P., 4 Cylinder, 106" Wheelbase . . .
Price New—\$1,600.00

*D*id Winnipeg executives drive to the office in Cadillacs in 1909? It may not have been the fad then . . . but it is the choice of Fidelity Trust Chairman Andrew Stephens and President Neil Wood to celebrate the 70th Anniversary of the company this year. Established on March 10, 1909. The founders were several prominent Winnipeg businessmen. Among them such names as Messrs. Bush, Grassie, Stovel and Sweatman.

Many other events of Canadian and World interest took place during that founding year. Sir Wilfred Laurier was Prime Minister. The name Mary Pickford first appeared in Canadian Theatre. Marconi's telegraph system expanded across Canada. Henry Ford built and sold his first "Model T". The first plastic . . . "bakelite" . . . was produced. Man first set foot on the North Pole. Britain approved Old Age Pensions . . . to all British subjects over age 70. There is much evidence that the year 1909 is a year to remember.

Fidelity has prospered through two major wars and one major depression. Until 1963 the company remained a local Manitoba trust company. During that year Neil C.W. Wood through Camwood Securities Corporation Limited, acquired control. Under this new leadership Fidelity became a federal trust company. It expanded its operations and representation from coast-to-coast through nine Provinces of Canada. In 1979, the first branch in the Province of Quebec will be open for business in the City of Montreal . . . thus extending representation throughout Canada.

In the past fifteen years, the assets under administration of the Company have grown from just over a quarter million to \$700 million dollars. Fidelity is known nationally, and also has become well known to a large segment of the international investment community. Through Fidelity millions of deposit dollars have been loaned to tens of thousands of Canadian homeowners.

The current age of corporate identification by "graphics" . . . challenged Fidelity to develop its own modern symbol . . . which has become well known to its customers. It incorporates stylized versions of the initial letters of Fidelity Trust and symbolizes a gold bar supported by two strong hands.

From this 70th Anniversary, Fidelity faces the future with confidence. It is anticipated that by the end of next year, this company will have one billion dollars of assets under administration. A growing Canadian market of 4.5 million homeowners presents a tremendous challenge to a well founded aggressive lender of the future.

From the first pen and inkwell of the founding day . . . to the present computer capacities, a startling difference prevails. It is electrifying to contemplate the challenges and opportunities of the future.



FIDELITY TRUST

as good as gold since 1909

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

Auditors' Report

St. John's Halifax Saint John Québec Montreal
Ottawa Scarborough Toronto Mississauga Hamilton
Kitchener London Windsor Thunder Bay Winnipeg
Regina Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

To the Shareholders of
The Fidelity Trust Company:

We have examined the balance sheet of The Fidelity Trust Company as at December 31, 1978 and the statements of earnings, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 28, 1979.

Clarkson, Gordon & Co.
Chartered Accountants


Balance Sheet

DECEMBER 31, 1978
(with comparative figures for 1977)

ASSETS

| | 1978 | 1977 |
|---|----------------------|----------------------|
| CASH AND SHORT-TERM INVESTMENTS: | | |
| Cash | \$ 6,710,603 | \$ 2,288,871 |
| Trust company and bank deposit receipts | 7,542,959 | 5,040,705 |
| Short-term corporation notes | 6,058,670 | 9,443,434 |
| | <u>20,312,232</u> | <u>16,773,010</u> |
| INVESTMENT SECURITIES (note 2) | <u>9,718,036</u> | <u>8,964,575</u> |
| MORTGAGES AND OTHER RECEIVABLES: | | |
| Mortgages, including accrued interest | 232,323,195 | 154,531,583 |
| Collateral loans | 379,384 | 40,875 |
| Accounts receivable | 34,421 | 12,751 |
| Income taxes recoverable | 317,901 | |
| | <u>233,054,901</u> | <u>154,585,209</u> |
| OTHER ASSETS: | | |
| Furniture, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$372,071 (1977—\$276,023) | 565,143 | 418,089 |
| Prepaid expenses and deferred charges | 26,157 | 44,843 |
| Mineral rights, at nominal value | <u>1</u> | <u>1</u> |
| | <u>591,301</u> | <u>462,933</u> |
| | <u>\$263,676,470</u> | <u>\$180,785,727</u> |

We hereby certify that to the best of our knowledge and belief, the balance sheet as at December 31, 1978 and the statements of earnings, retained earnings and changes in financial position for the year then ended are correct and show truly and clearly the financial condition of the company's affairs and the results of its operations.



President

J. O. McCutcheon
Director



Director

(See accompanying notes to financial statements)

Liabilities and Shareholders' Equity

| | <u>1978</u> | <u>1977</u> |
|--|----------------------|----------------------|
| DEPOSITS AND BORROWINGS (note 3): | | |
| Savings and chequing deposits | \$ 29,013,216 | \$ 26,068,349 |
| Guaranteed investment certificates | <u>219,033,226</u> | <u>140,268,037</u> |
| | <u>248,046,442</u> | <u>166,336,386</u> |
| OTHER LIABILITIES: | | |
| Accounts payable and accrued liabilities | 402,399 | 256,921 |
| Income taxes payable | | 232,249 |
| Dividends payable | <u>112,853</u> | |
| | <u>515,252</u> | <u>489,170</u> |
| DEFERRED INCOME TAXES | <u>682,700</u> | <u>460,000</u> |
| SUBORDINATED NOTES, due 1983 | <u>1,000,000</u> | <u>1,000,000</u> |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock (note 4)— | | |
| Authorized: | | |
| 749,500 preference shares, par value \$20 each, | | |
| issuable in series (750,000 in 1977) | | |
| 5,000,000 common shares, par value \$1 each | | |
| Issued: | | |
| 249,500 8.6% cumulative, redeemable preference shares, | | |
| series A (250,000 in 1977) | 4,990,000 | 5,000,000 |
| 2,317,207 common shares | 2,317,207 | 2,317,207 |
| Contributed surplus | <u>1,253,152</u> | <u>1,252,885</u> |
| | 8,560,359 | 8,570,092 |
| Less amounts not called on partly paid common shares | <u>(150,386)</u> | <u>(526,654)</u> |
| | 8,409,973 | 8,043,438 |
| General reserve | 2,000,000 | 2,000,000 |
| Retained earnings | <u>3,022,103</u> | <u>2,456,733</u> |
| | <u>13,432,076</u> | <u>12,500,171</u> |
| | <u>\$263,676,470</u> | <u>\$180,785,727</u> |

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1978
(with comparative figures for 1977)

| | 1978 | 1977 |
|---|-------------------|---------------------|
| REVENUE: | | |
| Interest from deposit receipts, notes and mortgages | \$21,675,742 | \$14,161,477 |
| Interest and dividends from investment securities | 733,760 | 739,419 |
| Fees and other operating income | 3,243,598 | 3,225,819 |
| | <u>25,653,100</u> | <u>18,126,715</u> |
| EXPENSE: | | |
| Interest on deposits, borrowings and subordinated notes | 17,263,250 | 10,931,183 |
| Salaries and staff benefits | 3,030,296 | 2,494,396 |
| Other operating expenses | 2,634,183 | 1,891,396 |
| | <u>22,927,729</u> | <u>15,316,975</u> |
| Earnings before income taxes | 2,725,371 | 2,809,740 |
| Income taxes | 1,348,000 | 1,390,000 |
| | <u>1,377,371</u> | <u>1,419,740</u> |
| Earnings before gain on sales of securities | | |
| Gain on sales of securities, net of income tax provision of \$11,000 in 1978 (1977—\$42,000) | 30,592 | 43,527 |
| Net earnings | 1,407,963 | 1,463,267 |
| Amounts required for dividends on preference shares (note 5) | 429,855 | 169,644 |
| Net earnings available for common shares | <u>\$ 978,108</u> | <u>\$ 1,293,623</u> |
| EARNINGS PER COMMON SHARE (note 5): | | |
| Earnings before gain on sales of securities | \$0.44 | \$0.60 |
| Gain on sales of securities (net) | 0.01 | 0.02 |
| Net earnings available per common share | <u>\$0.45</u> | <u>\$0.62</u> |

(See accompanying notes to financial statements)

Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1978
(with comparative figures for 1977)

| | 1978 | 1977 |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 2,456,733 | \$ 1,575,715 |
| Add net earnings | <u>1,407,963</u> | <u>1,463,267</u> |
| | <u>3,864,696</u> | <u>3,038,982</u> |
| DEDUCT: | | |
| Dividends—preference shares | 430,000 | 97,780 |
| —common shares | 412,593 | 278,791 |
| Preference share issue expense, net of income tax credit of \$94,000 | | 205,678 |
| | <u>842,593</u> | <u>582,249</u> |
| Balance, end of year | <u>\$ 3,022,103</u> | <u>\$ 2,456,733</u> |

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1978
(with comparative figures for 1977)

| | 1978 | 1977 |
|---|---------------------|---------------------|
| SOURCE OF FUNDS: | | |
| Operations— | | |
| Earnings before gain on sales of securities | \$ 1,377,371 | \$ 1,419,740 |
| Add non-cash items: | | |
| Depreciation and amortization | 96,048 | 81,676 |
| Deferred income taxes | 222,700 | 200,300 |
| Loss on sale of income property | | 56,516 |
| | <u>1,696,119</u> | <u>1,758,232</u> |
| Gain on sales of securities | 30,592 | 43,527 |
| Funds from operations | <u>1,726,711</u> | <u>1,801,759</u> |
| Proceeds on sale of income property | | 483,105 |
| Increase in deposits and borrowings | 81,710,056 | 58,132,609 |
| Issue of preference shares | | 5,000,000 |
| Less related expenses | | (205,678) |
| Proceeds on calls on common shares | 376,268 | 192,219 |
| | <u>\$83,813,035</u> | <u>\$65,404,014</u> |
| APPLICATION OF FUNDS: | | |
| Increase in cash and short-term investments | \$ 3,539,222 | \$ 496,205 |
| Increase in investment securities | 753,461 | 304,144 |
| Increase in mortgages and other receivables, net of proceeds on sales of mortgages | 78,469,692 | 64,082,278 |
| Redemption of preference shares | 9,733 | |
| Dividends—preference shares | 430,000 | 97,780 |
| —common shares | 412,593 | 278,791 |
| Additions to other assets, net of change in other liabilities | 198,334 | 144,816 |
| | <u>\$83,813,035</u> | <u>\$65,404,014</u> |

(See accompanying notes to financial statements)

Notes to Financial Statements

1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the company:

(a) Investment securities and mortgages—

Bonds are stated at cost plus accrued interest. Discounts or premiums on the purchase of bonds are not material and are deferred and amortized to income over the remaining life of the bonds. (In prior years such discounts and premiums were included in income upon sale or maturity.) Stocks are carried at cost. Mortgages are stated at cost, which includes amounts advanced plus accrued interest less principal repayments.

(b) Mortgage servicing and administration fees—

Fee revenue from mortgage servicing and administration is accrued at the time the services are rendered.

(c) Gains and losses on sales of mortgages—

Gains and losses on sales of mortgages to investors are recorded on the settlement of the transaction.

(d) Depreciation and amortization—

Furniture and equipment is depreciated by the declining balance method at the annual rate of 20%. Leasehold improvements are amortized by the straight-line method over the terms of the leases.

(e) Income taxes—

The company follows the tax allocation method of accounting for income taxes. Deferred income taxes relate principally to mortgage and investment reserves claimed for tax purposes which are in excess of provisions recorded in the accounts.

2. Investment securities

| | 1978 | 1977 |
|---|--------------------|--------------------|
| Bonds, including accrued interest: | | |
| Government of Canada and Provincial | \$8,879,273 | \$8,021,596 |
| Municipal | 34,622 | 37,307 |
| Corporate | 780,831 | \$881,905 |
| | <u>9,694,726</u> | <u>8,940,808</u> |
| Stocks | 23,310 | 23,767 |
| | <u>\$9,718,036</u> | <u>\$8,964,575</u> |
| Market values, including accrued interest | <u>\$8,459,805</u> | <u>\$8,187,273</u> |

3. Assets held for guaranteed account

Included in total assets are cash, investment securities, mortgages and other receivables of \$248,046,442 (1977—\$166,336,386) held for the guaranteed trust account.

4. Capital stock

- (a) During 1977, the first series of preference shares, consisting of 250,000 8.6% cumulative redeemable preference shares, series A, was issued for \$5,000,000 cash.

These shares are redeemable at the company's option from August 1, 1982 at a premium of

\$1.25 per share, declining by \$0.25 per share each year thereafter to August 1, 1987 and thereafter at par.

In addition, in each year commencing April 1, 1978, the company is obligated to make all reasonable efforts to purchase for cancellation on the open market 4% of the outstanding preference shares at a price not exceeding par value plus costs of purchase. The purchase obligation is non-cumulative. No shares shall be redeemed or purchased for cancellation unless the directors are satisfied that the redemption of capital is consistent with the capital needs of the company and except with the prior consent of the Superintendent of Insurance (Canada).

During 1978 the company purchased for cancellation 500 of its outstanding preference shares having a par value of \$10,000 for aggregate net consideration of \$9,733. The net discount on these purchases has been credited to contributed surplus.

- (b) Capital stock includes 601,542 (1977—702,205) partly paid common shares on which one call totalling \$150,386 (1977—\$526,654) remained to be made at December 31, 1978. The calls are made from time to time by the Board of Directors in amounts not to exceed 25¢ per call. During the year, \$376,268 was received on payment of calls and on full payment of 100,663 shares. The final call was made on January 2, 1979.

5. Earnings per common share

Earnings per common share have been computed using the monthly weighted average number of shares outstanding. In calculating the weighted average number of shares, the number of partly paid shares considered as outstanding during the year has been proportionately reduced to reflect amounts not paid on such shares. For purposes of computing earnings per common share a deduction of \$429,855 (\$169,644 in 1977) was made for dividends paid and accrued on the preference shares with respect to the current year. This amount differs from dividends as reflected in the statement of retained earnings which represent actual dividends declared during the year.

6. Long-term leases

The company rents premises under long-term leases which expire at various dates to December 31, 1986. The current annual rental under these leases is \$303,000.

7. Reclassification of 1977 figures

Certain of the 1977 figures presented for comparison purposes have been reclassified to conform with the presentation adopted for 1978.

8. Summary of interim quarterly results for 1978

| | Three months ended March 31 1978 | Six months ended June 30 1978 | Nine months ended September 30 1978 | Twelve months ended December 31 1978 |
|--|---|--|--|---|
| | (unaudited) | (unaudited) | (unaudited) | (audited) |
| Revenue: | | | | |
| Interest from deposit receipts, notes and mortgages..... | \$4,908,402 | \$10,262,536 | \$15,681,660 | \$21,675,742 |
| Interest and dividends from investment securities..... | 174,431 | 359,770 | 554,048 | 733,760 |
| Fees and other operating income | 723,564 | 1,581,640 | 2,369,969 | 3,243,598 |
| | <u>5,806,397</u> | <u>12,203,946</u> | <u>18,605,677</u> | <u>25,653,100</u> |
| Expense: | | | | |
| Interest on deposits, borrowings and subordinated notes..... | 3,688,691 | 7,641,581 | 12,156,490 | 17,263,250 |
| Salaries and staff benefits..... | 698,283 | 1,567,704 | 2,273,596 | 3,030,296 |
| Other operating expenses..... | 567,424 | 1,241,523 | 1,741,080 | 2,634,183 |
| | <u>4,954,398</u> | <u>10,450,808</u> | <u>16,171,166</u> | <u>22,927,729</u> |
| Earnings before income taxes..... | 851,999 | 1,753,138 | 2,434,511 | 2,725,371 |
| Income taxes | 426,000 | 877,000 | 1,217,300 | 1,348,000 |
| Earnings before gain on sales of securities..... | 425,999 | 876,138 | 1,217,211 | 1,377,371 |
| Gain on sales of securities, net of income taxes | 314 | 608 | 919 | 30,592 |
| Net earnings..... | 426,313 | 876,746 | 1,218,130 | 1,407,963 |
| Amounts required for dividends on preference shares..... | 107,500 | 215,000 | 322,500 | 429,855 |
| Net earnings available for common shares | <u>\$ 318,813</u> | <u>\$ 661,746</u> | <u>\$ 895,630</u> | <u>\$ 978,108</u> |
| Net earnings available per common share | <u>\$0.15</u> | <u>\$0.31</u> | <u>\$0.40</u> | <u>\$0.45</u> |

The results of operations for the three and six-month periods ended March 31 and June 30, 1978 have been amended from amounts previously reported to reflect an adjustment to interest expense relating to those periods. As a result, net earnings as previously reported for the three and six-month periods then ended have been reduced by \$63,000 and \$194,000, so that the restated net earnings for those periods amounted to \$426,313 and \$876,746 respectively. Earnings per common share as previously reported for those periods of 18¢ and 40¢ have been restated at 15¢ and 31¢ respectively.

DIRECTORS

- * Andrew K. Stephens
Chairman of the Board
- ** Neil C. W. Wood
President and Chief Executive Officer
- * Richard W. Smith
Vice-President
- ** Edmund B. Osler
Vice-President
- Robert H. Lindsay
Secretary and Treasurer
- Frank L. Ernst
- James A. Ernst
- John S. Elder
- Esther M. Genser
- John Klassen
- * John O. McCutcheon
- Harvey A. McDiarmid
- ** James S. McGoey, M.D.
- Donald S. Paterson

- Joseph C. Stangl
- * J. W. Nevil Thomas
- † Gordon B. Wiswell
- * J. Malcolm Wredde
- * Member of the Executive Committee
- ** Member of the Executive Committee and
Audit Committee
- † Member of the Audit Committee

Shares of this Company are listed on the
Toronto and Winnipeg Stock Exchanges.

SENIOR MANAGEMENT

David G. Alexander
Sr. Vice-President and
Assistant General Manager

William H. Armerding
Vice-President and
General Manager, Pacific Region

Robert W. Chisholm
Vice-President, Finance
and Administration

Lorne R. C. Elliott
Vice-President Western Region

Trevor G. Jones
Vice-President Operations

Clifford B. Killips
Vice-President Marketing

Robert H. Lindsay
Secretary and Treasurer

James E. Perkins
Senior Counsel

Maryann Vanek
Controller

Neil C. W. Wood
President and Chief Executive Officer

HEAD OFFICE

201 Portage Avenue
Winnipeg, Manitoba R3B 2A1
Telephone 204-947-0161

BRANCH OFFICES**BRITISH COLUMBIA**

1101 West Georgia Street
Vancouver, B.C. V6E 3G5
Telephone 604-685-8521

1175 Cook Street
Victoria, B.C. V8V 4A1
Telephone 604-386-6178

10671 King George VI Highway
Surrey, B.C. V3T 2X6
Telephone 604-588-7681

ALBERTA

700-8th Avenue S.W.
Calgary, Alberta T2P 1H2
Telephone 403-269-1318

10506 Jasper Avenue
Edmonton, Alberta T5J 2W9
Telephone 403-423-3474

SASKATCHEWAN

1821 Rose Street
Regina, Saskatchewan S4P 1Z7
Telephone 306-525-0518

812 Spadina Crescent East
Saskatoon, Saskatchewan S7K 3W5
Telephone 306-665-6100

MANITOBA

201 Portage Avenue
Winnipeg, Manitoba R3B 2A1
Telephone 204-947-0161

417 Academy Road
Winnipeg, Manitoba R3N 0C1
Telephone 204-474-2459

1350 Main Street
Winnipeg, Manitoba R2W 3T6
Telephone 204-586-9687

ONTARIO

350 Bay Street
Toronto, Ontario M5H 2S6
Telephone 416-362-7211

Ste. 411, 20 Hughson Street S.
Hamilton, Ontario L8N 2A1
Telephone 416-523-4311

NEW BRUNSWICK

Suite 500, 30 King Street
Saint John, New Brunswick E2L 1G3
Telephone 506-693-2902

NOVA SCOTIA

1649 Hollis Street
Halifax, N.S. B3J 1V8
Telephone 902-422-7476

EXECUTIVE OFFICES

350 Bay Street
Toronto, Ontario M5H 2S6
Telephone 416-362-7211

AGENCY OFFICES**ALBERTA**

Lethbridge

BRITISH COLUMBIA

Kamloops
Prince George

ONTARIO

Brampton
Brantford
Cornwall
Fort Erie
Guelph
Kingston
Kitchener
London
Niagara Falls
North Bay
Orillia
Oshawa
Ottawa
Parry Sound
Port Colborne
Sarnia
Sault Ste. Marie
St. Catharines
Stouffville
Sudbury
Thunder Bay
Timmins
Welland
Windsor

NEW BRUNSWICK

Fredericton
Moncton

PRINCE EDWARD ISLAND

Charlottetown

NEWFOUNDLAND

St. John's

NOVA SCOTIA

Bridgewater